



# Office of the State Actuary

*"Supporting financial security for generations."*

January 26, 2021

**TO:** Members of the State Actuary Appointment Committee  
Chair, Select Committee on Pension Policy  
Vice Chair, Select Committee on Pension Policy  
Secretary of the Senate  
Chief Clerk of the House

**FROM:** Matthew M. Smith, FCA, EA, MAAA  
State Actuary

**SUBJECT: 2021 REPORT ON OSA PERFORMANCE**

On behalf of the staff of the Office of the State Actuary (OSA), I'm very pleased to provide the 2021 Performance Report for OSA. This is the fourth performance report prepared by the office. We hope you find these reports helpful in your on-going oversight of the agency.

You'll find a summary of this year's report on the following page and supporting details in the attachments to this memo.

## **Summary Of Report**

OSA promotes the security of public benefit programs including state pension and medical plans, the prepaid tuition plan (GET), and the state's Long-Term Services and Supports (LTSS) Trust program. As of our latest actuarial measurements, these programs, excluding the LTSS Trust Program, have a present value of future benefits for current members totaling \$140 billion (with a future value of \$770 billion for the state pension systems). The LTSS Trust Program, as of our latest actuarial measurements, has \$171.5 billion in expected future disbursements from 2022 – 2096 on a present value basis.

OSA established objective measures of critical agency functions to monitor/manage our performance and identify areas of improvement. To inform these measurements, we conduct on-going interviews with our clients. We use these interviews to document expectations, measure levels of satisfaction with those expectations, and identify any new or emerging expectations. We also conduct on-going staff surveys to measure employee satisfaction.

With the exception of our goal on spending for training and the identification of one material correction in the outside actuarial audit of the June 30, 2019, actuarial valuation report, the office met all performance measurement goals. You'll find supporting information on the following pages.

We greatly appreciate your input and welcome any questions you may have on this report and process for OSA. For example, if you would like to see different measurements, goals, or



outcomes for the office, please let us know. We're also happy to share additional context on the selection and development of the current measurements.

We appreciate your input, continued support, and look forward to serving you.

### **Summary Of OSA Performance Measurements**

<b>Fiscal Note Measurements</b>	
<b>Goal</b>	<b>Outcome</b>
<b>Fiscal Notes</b>	
Complete 90 percent of actuarial fiscal notes on pension bills before a fiscal committee hearing when provided at least three days notice of hearing.	100 percent for 2020 Legislative Session.
<b>Actuarial Valuation Reports (AVRs)</b>	
Complete final annual actuarial valuation reports (AVR, VAVR, GAVR, HAVR Roll-Forward) by target posting/adoption dates and meet 75 percent of AVR preliminary posting dates for publishing to the web.	100 percent of dates met for 2019 AVR. 2020 AVR in progress.
Pension Funding Council-hired auditors certify all AVRs as compliant with Actuarial Standards of Practice (ASOP) and replicate our calculations with no material differences.	2019 AVR certified by actuarial auditor as ASOP compliant and found one material correction.
<b>Financial Management</b>	
Limit OSA Maintenance Level (ML) budget growth to no more than 10 percent each biennium (including salary growth).	8.4 percent growth in ML budget from 2017-19 to the proposed 2019-21 budget. 8.1 percent for proposed 2021-23 budget.
Return 5 percent of agency budget at the close of each biennium.	16.5 percent of the 2017-19 budget was returned.
State Auditor reports no findings in any financial audit of our agency.	No findings in last three audits, and the most recent audit closed in January 2021.
<b>Human Resources</b>	
Timely performance evaluations of all staff on an annual basis (excluding state actuary).	Timely evaluations for all staff during the 2020 completed performance cycle.
Spend \$103,900 on training in 2017-19, but not exceed 138,187.	Spent \$74,807 on training (72% of goal).
At least a 4.0 overall employee satisfaction score. (1.0 = not meeting expectations) (2.0 = partially meeting expectations) (3.0 = meeting expectations) (4.0 = partially exceeding expectations) (5.0 = exceeding expectations)	4.5 overall employee satisfaction score for 2020.
<b>Client Satisfaction</b>	
Successfully complete client satisfaction process improvement project. Client satisfaction interviews will begin in their new feedback/learning format in 2021.	Timely completion of project and leadership team approval of new format.

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## ATTACHMENT A – WHO WE SERVE

We serve both the legislative and executive branches of government, boards and committees, and the public. You'll find a summary of who we serve in the following table.

### **Summary Of OSA Clients**

OSA Clients	
<b>Legislative Branch</b>	Pension Funding Council, Select Committee on Pension Policy, Legislators and Legislative Staff, and Fiscal Committees.
<b>Executive Branch</b>	Governor's Office, Office of the State Treasurer, Health Care Authority, Department of Retirement Systems, Office of Financial Management, Office of the Attorney General, and Department of Social and Health Services.
<b>Boards</b>	Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund, State Investment Board, Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board, Public Employees' Benefits Board, WA529 Committee, Institutions of Higher Education, LTSS Trust Commission, and LTSS Trust Council.
<b>Public</b>	Pension community, local governments, and citizens at large.



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## ATTACHMENT B – FISCAL NOTE MEASUREMENTS

### **Goal**

- ❖ Complete 90 percent of Actuarial Fiscal Notes (AFN) on pension bills before a fiscal hearing when provided at least three days notice of hearing.

### **Measurement Period**

- ❖ Each legislative session (last measurement, April 2020).

### **Measurements/Outcomes**

Actuarial Fiscal Notes	
Number of pension bills introduced (includes companions and substitutes requested)	44
Number of pension AFNs completed (submitted to OFM)	27
Number of AFNs that received fiscal hearing with at least 3-day notice	19
Number of AFNs completed before fiscal hearing when provided at least 3-day notice	19
<b>Percent of AFNs completed before fiscal hearing when provided at least 3-day notice</b>	<b>100%</b>



## ATTACHMENT C – ACTUARIAL VALUATION REPORT (AVR) MEASUREMENTS

### **Goal**

- ❖ Complete final annual actuarial valuation reports (AVR, VAVR, GAVR, HAVR Roll-Forward) by target posting/adoption dates and meet 75 percent of AVR preliminary posting dates for publishing to the web.
- ❖ Pension Funding Council-hired auditors certify all AVRs as compliant with Actuarial Standards of Practice (ASOPs) and are able to replicate our calculations with no material differences.

### **Measurement Period**

- ❖ Annually for AVR publication dates (last measurement, August 2020, for 2019 AVRs).
- ❖ Every two years for actuarial audit (last measurement, 2019 AVR).

### **Measurements/Outcomes**

AVR Preliminary Postings		
Report Section(s)	Target Date	Date Published
Assets and Participation Data	1/17/20	1/17/20
Plan Provisions, Intro Letter, and Actuarial Methods/Assumptions	3/15/20	3/11/20
Actuarial Information	5/15/20	5/12/20
Preliminary Results	6/30/20	6/29/20
Number of Target Publish Dates		4
On-Time Publish Dates		4
Percent of Target Publication Dates Met		100%
2019 Final Actuarial Valuation Report	8/31/2020	8/26/20
Final 2019 VAVR Report for Client Adoption	10/31/20	10/26/20
Final 2020 GAVR Report for Client Adoption	11/30/20	11/17/20
Provide UW with Roll-Forward Results (Numbers and Letter)	9/30/20	8/28/20
Compliance of AVR with ASOPs (2019 AVR)		Compliant
Replication of Calculations With No Material Differences		One Material Correction



## ATTACHMENT D – FINANCIAL MANAGEMENT MEASUREMENTS

### **Goal**

- ❖ Limit OSA Maintenance Level (ML) budget growth to no more than 10 percent each biennium (including salary growth).
- ❖ Return 5 percent of agency budget at the close of each biennium.
- ❖ State Auditor reports no findings in any financial audit of our agency.

### **Measurement Period**

- ❖ Each biennium for budget measurements following completion of budgeting period (last measurement, 2017-19).
- ❖ Each State Auditor report (last measurement, audit report for FY 2017-20).

### **Measurements/Outcomes**

Financial Management*	
2019-21 Budget	\$6,900,000
Proposed 2021-23 Budget	7,460,000
<b>Maintenance Level (ML) Budget Growth</b>	<b>8.1%</b>
2017-19 Budget	6,121,000
2017-19 Budget Returned	\$1,011,659
<b>Percent of Budget Returned</b>	<b>16.5%</b>
<b>Findings in Audit Report (2017-20)</b>	<b>No Findings</b>

*\*Includes any supplemental budget adjustments.*



## ATTACHMENT E – HUMAN RESOURCES MEASUREMENTS

### **Goal**

- ❖ Timely performance evaluations of all staff on an annual basis (excluding state actuary – outside of agency control).
- ❖ Spend \$103,900 on training in 2017-19, but not exceed \$138,187.

### **Measurement Period**

- ❖ Annually for performance evaluations (last measurement, 2020 cycle).
- ❖ Each biennium for training (last measurement, 2017-19 Biennium).

### **Measurements/Outcomes**

See following page for employee satisfaction measurements.

Human Resources	
Number of Staff in Evaluation Cycle (Excluding State Actuary)	16
Number of Performance Evaluations On Time	16
<b>Percent of Timely Employee Evaluations</b>	<b>100%</b>
2017-19 Training Budget/Goal	\$103,900
2017-19 Budget Spent on Training	\$74,807
<b>Percent of Training Budget/Goal</b>	<b>72%</b>



## ATTACHMENT F – EMPLOYEE SATISFACTION MEASUREMENTS

### **Goal**

- ❖ At least a 4.0 overall employee satisfaction score.
  - 1.0 = Not meeting expectations.
  - 2.0 = Partially meeting expectations.
  - 3.0 = Meeting expectations.
  - 4.0 = Partially exceeding expectations.
  - 5.0 = Exceeding expectations.

### **Measurement Period**

- ❖ Annually for employee satisfaction (last measurement, 2020 cycle).

### **Measurements/Outcomes**

Employee Satisfaction	
Satisfaction Criterion	Score
How satisfied are you with your work-life balance?	4.8
How satisfied are you with your total compensation?	4.2
How satisfied are you with the office culture?	4.6
How satisfied are you with your current work?	4.1
How satisfied are you with how we currently do our work?	4.2
How satisfied are you with the training and development you receive?	4.8
How satisfied are you with the facilities and tools provided to perform your work?	4.9
<b>Overall Employee Satisfaction Score</b>	<b>4.5</b>





## **ATTACHMENT G – CLIENT SATISFACTION MEASUREMENTS**

### **Goal**

Based on interviews with each available client, define and document a new client satisfaction interview process, for leadership team approval, by the end of November, 2020. Begin implementation of new process in December, 2020. Client satisfaction interviews will begin in their new feedback/learning format in 2021.

### **Measurement Period**

- ❖ One-time process improvement project in 2020.

### **Measurements/Outcomes**

The project to improve the client satisfaction interview process was completed on-time and approved by the leadership team. The new process includes an annual review and optional, more frequent supplemental check-ins after client engagements. The new process will help us regularly engage our clients, better understand their expectations, and continue to exceed their expectations.